1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

241 473 types, and low yield depressing to the ambitious farmer. The Baṣra date industry, in which British and American packers and exporters had a dominant share, made its divisions yet more explicit in 1933 by the appearance of rival organizations within it: the Government-approved Date Growers Association on the one side, and an association of date packers on the other. The clash of interest and tactics between these two, both fully representative of their respective interests, resulted in disastrous conditions in the industry and led in 1935, after a visit to Baṣra by Yasin Pasha, to the passage of a law establishing a Date Board with representatives of all Baṣra date interests and its own direction and revenues derived from a small export tax; it effected for a time a marked improvement in growing, packing, and exporting conditions. A Committee was set up in 1933 to investigate beet-sugar production, and found reason for hopefulness. The first suggestions were heard of a monopoly for the manufacture and marketing of tobacco products, and meanwhile something was done to improve the drying, cutting, and packing of the Kurdish leaf. 'Iraqi cotton, the object of high hopes ten years before, passed through a depressed period. The crop climbed slowly to 5,000 bales by 1928, only to drop almost to nothing and to recover to 3,000 bales in 1934. Thereafter substantial yearly increases appeared, and by 1938 15,000 bales were produced. Among the cotton-growers was the Laṭifiya Company (p. 213), an enterprise which, however, found itself early in its career in serious difficulties. It failed in its undertaking to repay the cost of its canal to Government, and in 1935 control was assumed by Messrs. Andrew Weir & Co.; thereafter, with fresh finance and a revision of its agreement with Government, the progressive agricultural work of the estate could proceed. It was to remain under single and personal British management for the next twenty years. The Agricultural and Industrial Bank was unable, in its early years, to do much for the public.

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241 312 Pump irrigation, which the economic crisis of 1929–31 and the prevailing low prices involved in widespread losses and stoppages, recovered gradually after 1933 and stabilized itself as a main feature of 'Iraqi production. It had introduced, for better or worse, a new element into local agriculture—the urban capitalist; and it helped thus to lead part of the wealthier class to a fresh interest in rural affairs and modern forms of land development. In flow irrigation the period—the first in which surplus State funds became modestly available, thanks to oil royalties—was one of progress. The first stage of the forty-mile Abu Ghurayb canal, from the Euphrates left bank below Ramadi, was completed in 1936 with a considerable commanded acreage. The Mishkhab regulator, low down on the Kufa channel of the Euphrates, was built in 1936. A canal deriving

[45] [185] 312 653

7: International Bank N. S-4 (1951) 1952 MH1 Iraq MH1

III. Industry

Industry is as yet little developed in Iraq. As already indicated, apart from the oil industry which employs about 12,000 people, probably not more than 2,000 are working in modern industrial plants. These plants represent a total capital investment of approximately ID 4,000,000 and an annual gross income of about ID 3,000,000. Industry is largely confined to the processing of agricultural products, the production of building materials such as cement and bricks, and the manufacture of consumers' goods like textiles, soap, matches, cigarettes, shoes and beverages. 433

Conditions, however, are generally favorable to further industrial development. An expanding agriculture should provide more materials, such as fibres and oil seeds, for processing and when the standard of living among the rural population is raised there should be a growing domestic market for industrial products. In oil and natural gas the country possesses a cheap source of power and fuel as well as an important source of raw materials. There are surface indications of iron, copper, zinc and chrome ores, as well as of the existence of sulphur and salt deposits. The extent of such deposits should, however, be confirmed by core drilling before steps are taken to undertake their commercial exploitation. In the cities there is adequate manpower for industry, and the Iraqi workman with proper training is generally adept at learning industrial processes. Skilled manpower, however, is very limited, and, naturally enough, there is little of the technical "know-how" which comes through experience and training. Other limiting factors in industrial development are the lack of sufficient private capital and initiative. Much capital, particularly that accumulated from agriculture, is hoarded and the balance is generally invested in urban or rural property, which is regarded as less risky, or in commerce, where investors anticipate a higher rate of return. While there is a trend toward increased private investment in industry, particularly since the war, industrial development in the immediate future will have to depend very largely upon the initiative or financial assistance of the government. [135] [444] [454]

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

457 tive from July 15, 1947. In a supplementary agreement con-
453 cluded in February 1951 the National Bank obtained an additional release of £2,000,000 and a guaranty of further releases up to £6,000,000 over the next two years, whenever necessary to maintain its free sterling working balances at a level of £6,000,000. As of March 31, 1951, the banking system still held £29,400,000 in blocked sterling out of total sterling assets of £49,700,000. Since Iraq's foreign exchange assets consist almost entirely of sterling, Iraq must apply to the British government for hard currency releases from the sterling area pool to meet dollar payments. Until February 1951 such releases were limited to specific periodic sums, but a new agreement for one year concluded at that time provided that sufficient releases would be made at all times to cover Iraq's essential requirements. There was no specific provision referring to the large requirements arising out of increasing investment outlays.

● 454 While short-term financing has not been a problem, the financing of the longer-term capital requirements of industry and agriculture has always been difficult. The amount of savings channeled into the banking system has always been small. Savings accounts in the commercial banks have varied between ID 1,700,000 and ID 2,400,000 over the last two years, and the total savings deposits with the postal system have been less than ID 900,000. Considerably more is undoubtedly saved, but much of it takes the form of hoarding. Thus it is generally assumed in Iraq that virtually all of the 100-dinar notes and a considerable part of the 10-dinar notes in circulation (ID 9,000,000 and ID 9,500,000 respectively as of March 31, 1951) are hoarded. There is a general preference for the investment of capital in urban and rural property, which are regarded as affording a high degree of security, and in commerce which yields a high return. Industry and agriculture have generally been starved of capital, although investments in these fields are slowly becoming more acceptable.

453 As a partial remedy for this shortage of capital, the government has established three institutions to finance industry, agriculture and building. Although each of these is capitalized at ID 1,000,000, the government has actually furnished only ID 550,000 to the Agricultural Bank, ID 600,000 to the Industrial Bank and ID 100,000 to the Mortgage Bank. While each bank has tried

7: International Bank N. S-4 (1951) 1952 MH1 Iraq MH1

135 Several geological surveys have located outcrops of iron, copper, zinc and chrome ores. The extent and quality of these ores, however, will not be known until further exploration work has been accomplished. There are surface indications of 30 percent elemental sulphur mixed with limestone but, as in the case of the ores, these deposits have never been adequately proven. Previous to the large-scale production of oil, some coal was mined, but actual reserves have never been fully ascertained. A large and potentially valuable salt dome was located near Basra when geophysical surveys were being conducted in connection with oil exploration. It would appear, therefore, that Iraq has a fairly broad range of minerals which might be worthy of exploitation.

Some Factors Affecting Industrial Growth

433 454 Some of the basic causes of industry's retarded development are lack of private investment, technical inexperience and inadequate markets. In the past capital has often been hoarded or invested in rural or urban property or in commerce, where the security or rate of return was believed to be higher than in industry. To some extent this tendency has been overcome through tax exemptions, tariff protection and the financial assistance of the Industrial Bank.

464 433 On the other hand, little is being done to increase the number of skilled workers and technicians through education and training. One of the biggest handicaps in apprentice training is the lack of elementary education. Employees who are unable to read and write obviously can neither receive written instructions, maintain material and inventory control, select proper repair parts nor attend advanced in-plant training classes. Until this is corrected, Iraq must continue to rely on skilled foreign technicians and, in some of the larger and more complicated industries, on foreign management.

The supply of common labor is now ample and will probably remain so for many years to come. A shortage of labor, should it occur, could be corrected by the employment of women in greater numbers and by further mechanization. Industry has not, however, reached the stage of development where this should be attempted, for a highly mechanized plant means high capital costs, greater

7: International Bank N. S-4 (1951) 1952 MH1 Iraq MH1

Paper Mill

289 Iraq does not have a suitable source of material for a pulp plant at this time. The development of a paper making industry would therefore require the importation of pulp to meet its various requirements. This procedure would ordinarily be both practicable and economical; however, the world market for pulp is now very critical and may remain so for several years. It is recommended, therefore, that the paper mill be held in abeyance until an adequate supply of pulp is assured.

III. State Assistance to Industry

Financial Assistance

454 433 The widespread reluctance of private capital to venture into industry can be overcome only gradually as the profitability of industrial investment is demonstrated in various fields. In the meantime, it will be necessary for the government to furnish most of the capital for industrial development.

Plants which will require a large amount of capital and will need completely foreign management at least in their beginning may have to be financed completely by the government through the Development Board. The oil refinery and the fertilizer plant are projects which fall into this category. Other more modest undertakings will require relatively small amounts of capital and in most cases may be economically operated by Iraqi management even though some foreign technicians may be necessary. This combination lends itself to the use of private capital, which should be encouraged as much as possible by the government, by means of financial assistance where justified.

452 433 The Industrial Bank is now the principal agency for rendering financial assistance to the development of private industry. The Bank, which began operations in 1946, has already performed useful work in promoting industry. At the end of February 1951, it had outstanding loans totalling ID 238,650 and participations in industrial enterprises amounting to ID 629,272. It has been handicapped, however, by a shortage of funds, since the government has

64: Shwadran S-4 (no date) 1955 MI Middle East
IRAQ MHI

with enormous spending, brings in its wake a host of problems and dangers: inflation, a great strain on a primitive economy, shortages of human resources (civil servants, teachers, doctors, engineers), and the overburdening and eventual breakdown of transportation and communications. Nevertheless, progress was registered. Many irrigation and drainage projects were undertaken, and some were completed; a beginning of agrarian reform and rehabilitation through such projects as Diyala was made.[30] In 1952 the United Nations reported that a slight expansion in industry had been achieved and a basis for more rapid development laid. Capital investments in major industries rose from a cumulative total of ID3.18 million in 1948-1949 to 5.84 million in 1951-1952; the value of output rose from ID 1.4 million to 4.4 million, and the number of workers increased from 1,650 to 4,550.[31]

In its report for the fiscal years 1952-1953 the Development Board stated that considerable progress had been made on some of the construction and irrigation projects although it had not used up its revenues and had granted ID6.3 million to municipalities and Government departments to carry out new programs.[32]

The impact of the oil industry on Iraq was not as great as it could have been. In spite of Government effort, and in spite of the belief held by some governmental leaders that it was an unconditional, integral part of the overall development program, industry made very little progress. There have been some advances in agriculture, but not as much as hoped for. There exists a serious danger that after the irrigation projects are completed and the land available for cultivation increased, unless the Iraqi peasant is educated—psychologically as well as technically—to utilize the additional acreage effectively and constructively and to keep the irrigation machinery in working order, the enormous expenditures may well have been wasted. Neither will the new hospitals and new school buildings be able to fulfil their proper functions unless there are enough trained doctors, nurses and teachers with a social consciousness and a deep-seated and genuine desire to help the impoverished,

[30] Burns, "Development Projects in Iraq," *The Middle East Journal*, V, Summer, 1951, 362-366.
[31] U. N., *Summary 1952-53*, 22.
[32] *Al Zaman*, July 24, 1953.